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ABSTRACT

This special report summarizes a larger report titled "Linkages in the Delivery and Financing of Special Education Services in New Jersey" by Henry A. Coleman et al. It describes a project which analyzed the linkage between the structure of state aid for special education and the identification, classification, and placement of students for the delivery of services. Individual sections address: the history of special education in New Jersey, the New Jersey Quality Education Act of 1990, the identification of students eligible for special educational services, classification and placement steps, cost factors, cost of a special education placement versus state reimbursement, other factors affecting special education placement, major deficiencies of the special education state aid system, and data collection limitations. Recommendations urge modifications to the state aid system to promote placement of students in the least restrictive environment and equalization of both service delivery and cost burdens to school districts. Eight tables provide detailed trend data on: enrollment in long-term education programs; special education additional cost factors; use of own-district self contained classes versus resource rooms/centers; state totals for school district special education appropriations; and percentage of students in self-contained special education classes by gender and race/ethnicity for selected urban districts. (DB)

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Special Education – The Role of State Aid

The escalation of the costs of providing services to special education students in New Jersey is a growing topic of concern on the state and local level. Over $582 million of state aid for special education and, a comparable amount provided by local districts, brings the total annual cost to New Jersey taxpayers for special education to well over a billion dollars. Despite frequent increases in state aid over the last fifteen years, many question whether the level of aid is adequate to meet student needs. Charges that the state aid formula fails to encourage the placement of students in the least restrictive environment, as required by federal law, continue to grow. Although, as this research team observed, there is only a limited relationship between the state aid formula and special education student placement, ample evidence was found that New Jersey's special education aid formula has serious flaws and needs a thorough review. Monies that school districts receive in special education aid are not required to be dedicated to special education services. Incomplete data and lack of an accurate breakout of the cost of special education seriously hamper state policymakers in determining the adequacy of state aid levels and the design of a more effective formula.

Special education delivery has evolved into a highly complex bureaucracy. To a certain extent, it is a system separate from regular education. The issue of where a student with a disability is best educated often provokes serious conflicts, pitting a school district against the parents. Exactly what constitutes the least restrictive environment for a child remains at the heart of the problem. In recent years, many parents have begun to insist that their child be "included" in the school community, meaning that their child will be educated with his or her peers in the local school. Use of the term "inclusion" has become popular. School district administrators and special education personnel do not always view the needs of the child in the same way as parents do. This debate over individual student placements on the local district level has grown at the same time as discussions on the state level have intensified with renewed pressure from the federal government and advocacy groups. The potential of the New Jersey state aid formula to "reward" districts for more costly, restrictive placements is at the center of the state controversy.

This special issue is based on a larger report, ***Linkages in the Delivery and Financing of Special Education Services in New Jersey.*** *PARI joined the Center for Government Services at Rutgers University in undertaking the first comprehensive, independent review of special education state aid funding in New Jersey. The joint project was funded, in part, by the New Jersey Developmental Disabilities Council. For copies of the larger report, call the CGS at 908-932-3640 or PARI.*

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The primary purpose of the Rutgers/PARI project was to analyze the linkage between the structure of state aid for special education and the identification, classification, and placement of students for the delivery of services. Do school personnel tend to place students identified as needing special education services in a more restrictive environment to receive more aid? Because this study involved a long process of information gathering through over 100 interviews and the analysis of the three major state education databases, a significant amount of information was obtained which allowed the research team to analyze the state aid formula's relationship to student placement, and other related issues surrounding special education services as well.

History of Special Education

In 1975, Congress passed the Education for All Handicapped Children Act (P.L. 94-142) guaranteeing a free, appropriate public education for all children regardless of type or severity of disability. The legislation also provided that the education must be delivered to students in the least restrictive environment to the maximum extent possible, that is, wherever possible, "students with disabilities must be educated with children who are not handicapped." Individualized education plans (IEPs) must be developed for each student and parents must be involved in the decision-making process. Since the passage of the Act, the numbers of students identified as needing special education services has grown dramatically. (Table 1)

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TABLE 1
Enrollment in State-Funded Long-Term Education Programs
1977-1993

	Enrollment Reporting Date	Resident Enrollment	Enrollment in Long-Term Special Education Programs	Percentage of Resident Enrollment
Chapter 212	9/77	1,388,965	37,331.5	2.7%
	9/78	1,350,087	38,500.5	2.9
	9/79	1,306,076.5	62,119	4.8
	9/80	1,267,710	68,002.5	5.4
	9/81	1,225,240.5	73,156.5	6.0
	9/82	1,201,460.5	78,028.5	6.5
	9/83	1,168,857	85,403.5	7.3
	9/84	1,148,264	88,659.5	7.7
	9/85	1,132,557	91,738.5	8.1
	9/86	1,124,158.5	95,902	8.5
	9/87	1,109,792.5	99,117.5	8.9
	9/88	1,096,994.5	101,108.5	9.2
	9/89	1,095,343	103,175	9.4
QEA	10/90	1,110,667.5	109,011.5	9.8
	10/91	1,132,488	112,989.5	10.0
PSRA	10/92	1,153,930	118,497	10.3
	10/93	1,174,990.5	126,402	10.8

Notes: *1. Special education enrollment in this table includes pupils in district special education classes (including county vocational schools and regional day schools), private school placements, and resource rooms. Pupils in county special services districts, institutions, pupils receiving supplementary or speech instruction, and home instruction are not included.*

2. Resident enrollment also omits pupils in county special services districts or state institutions.

Sources: *New Jersey Department of Education: Categorical aid worksheets, Applications for State School Aid, and state aid print-outs. Adapted from Table 5,* ***Linkages in the Delivery and Financing of Special Education Services in New Jersey.***

For decades New Jersey played a leading role in providing special education services. Starting with the first state legislation of its kind in 1911, New Jersey mandated special classes for the deaf, blind, and mentally retarded and paid part of the salary for teachers of the handicapped. Subsequent laws culminating with the Beadleston Acts of 1954 and 1959 broadened the aid for special education to cover basically one-half of a district's special education expenditures. By 1975-76 state aid for special education amounted to about $63 million. With the restructuring of aid to education included in Chapter 212 of the Laws of 1975 and funded by the first New Jersey income tax, the Legislature established new formulas for state aid. The result was a substantially increased amount of basic state support for all educational expenditures. Included in the law was a new procedure for calculating state aid for special education based on the number of pupils placed in each special education class and the type of disability. Special education aid for each district now was calculated by multiplying the number of pupils in each category times an additional cost factor times the state average net current expense budget per pupil. By specifying a single additional cost factor to be used statewide for each disability, the law shifted the basis for aid calculations from each district's actual expenditures to the state average additional expenditure for children in a particular category. Children placed in private schools were given a cost factor of 1.0, plus the factor for their disability. The additional cost factors were based on calculations done by the New Jersey Department of Education (DOE) and represented the additional cost for each category of

TABLE 2
Special Education Aid Additional Cost Factors For Selected Years

	1976-77	1980-81	1983-84	1986-87	1990-91	QEA 1991-92	QEA 1992-93
Special Education Classes							
Educable	.53	.42	.45	.51	.40	.60	.60
Trainable	.95	.79	.81	.91	.80	.99	.99
Orthopedically handicapped	1.27	1.14	1.05	.86	.79	1.70	1.70
Neurologically impaired	1.06	.73	.62	.56	.38	.42	.42
Perceptually impaired	.85	.43	.30	.24	.15	.12	.12
Visually handicapped	1.91	1.52	1.39	1.20	1.73	2.79	2.79
Auditorially handicapped	1.38	1.07	1.80	1.60	1.61	1.63	1.63
Communication handicapped	1.06	1.20	.96	.93	.50	.84	.84
Emotionally disturbed	1.27	.84	.79	.78	.63	1.09	1.09
Socially maladjusted	.95	.70	.56	.65	.39	.67	.67
Chronically ill	.85	.31	.05	.29	2.06	2.23	2.23
Multiply handicapped	1.27	.87	1.14	.93	.57	1.05	1.05
Autistic	—	—	—	—	—	1.84	1.84
Pre-school handicapped	—	—	.23	.41	.31	—	—
Full Day	—	—	—	—	—	.30	.60
Half Day	—	—	—	—	—	.30	.30
Special Education Facilities & Services							
Supplementary & speech inst.	.09	.08	.08	.08	.08	.18	.18
Private school*	1.00	.84	.84	.84	.84	—	—
Home instruction**	.006	.005	.005	.005	.005	.0025	.0025
Resource rooms	—	.59	.60	.60	.60	.45	.45
County Special Services Districts	—	—	—	—	—	1.38	1.38
County Vocational Special Education	—	—	—	—	—	.59	.59
Regional Day Schools	—	—	—	—	—	1.38	1.38

* *Additional cost factor for private school is figure indicated plus the additional cost factor for the specific handicap.*

***Home instruction additional cost factor is multiplied by the number of hours of instruction, rather than by the number of pupils involved.*

Source: *Adapted from Ernest C. Reock, Jr., **State Aid for Schools in New Jersey, 1976-1983,** Part II-Tables and Charts, Rutgers University Center for Government Services, April, 1993 and Table 4, **Linkages in the Delivery and Financing of Special Education Services in New Jersey**.*

disability over and above the cost for regular education of the average pupil. An abbreviated summary of cost factors is provided in Table 2.

The Quality Education Act (QEA)

In the summer of 1990, acting under the threat of a court decision in the case of *Abbott v. Burke*, the New Jersey State Legislature and the Governor enacted the Quality Education Act, a sweeping revision of the laws providing for state aid to local school districts. QEA, however, retained the same approach to special education aid contained in Chapter 212. Aid was still calculated as the average additional cost for each pupil placed in a special education program. Additional cost factors for classes intended for each classification of disability were included in the law, as were factors for students in other kinds of special education programs. However, to determine special education aid, the additional cost factors were to be multiplied by the number of pupils and by the state foundation amount per pupil, rather than the state average net current expense budget per pupil. While the approach and structure of special education aid remained essentially the same, a number of changes were worthy of note. Every existing additional cost factor was changed. County special services districts were brought within the state aid formula, receiving foundation aid and special education aid in the same manner as other districts. Pupils placed in private schools were counted in the resident enrollment of the local school district and the 1.0+ additional cost factor was eliminated.

QEA was implemented for the school years 1991-92 and 1992-93 and special education aid was fully funded in each year. Special education aid rose by 52% in 1991-92 and another 10% in 1992-93. Effective for 1993-94, the New Jersey State Legislature enacted the Public School Reform Act of 1992 (PSRA), Chapter 7 of the Laws of 1993. Because no new comprehensive legislation was enacted in 1994 due to the policy of "freezing" most state aid at the prior-year level, PSRA remains intact. Thus for 1994-95, each school district's special education aid is set at the amount received in 1993-94 which, in turn, had been based on the state aid entitlement for 1992-93 under QEA.

Identification of Students

The determination of eligibility for special education services is essentially a three-step process beginning with identification of a student through referrals by parents, classroom teachers, and school medical staff, such as physicians and psychologists. Once identified and after parental consent is obtained, the student is referred to a child study team (CST), an interdisciplinary group consisting of a psychologist, a learning disabled teacher-consultant, and a school social worker. One of the common criticisms of the type of state aid system used in New Jersey is that

school authorities will be encouraged to identify special education-eligible children in order to obtain a "bounty" of additional state aid for each additional child. Under close scrutiny, this criticism appears to be unfounded.

Information obtained during interviews with special education providers support the conclusion that the persons responsible for identification of special education pupils are sufficiently insulated from the fiscal aspects of their decisions that such considerations play little, if any, role in determining their actions. This insulation is due not only to organizational arrangements within the school districts and the professional integrity of the personnel involved, but also to the complex and seldom understood nature of the state aid system.

While there may be exceptions, for most districts the additional aid generated by each child identified does not cover the extra cost of the additional services provided. The "freeze" of state education aid in 1993-94 and 1994-95 has compounded this situation. From a strictly fiscal point of view, a local school district often would be better off ignoring the needs of a potential special education pupil, receiving no state aid, and providing the pupil with no special services of any kind. The fact that state aid does not cover fully many of the additional costs generated by a special education pupil indicates that the system might inhibit the identification of special education pupils. Again, however, the insulation of special education decision-makers from fiscal considerations appears to make the identification aspect of the process operate in the best interests of the children, and not necessarily the fiscal interests of the school district or its taxpayers. The growth (Table 1) in the percentage of New Jersey pupils identified as in need of special education is in line with an expanding national awareness of the needs and rights of persons with disabilities.

Classification and Placement

New Jersey's special education system requires that pupils who are identified as needing special education services be classified according to official categories based on the handicapping condition (18A:46-1.1 et seq.). This system of labeling students has continued to be a controversial component of the special education process. In a small number of districts involved in "The Plan to Revise Special Education" (P2R) pilot program, classifications are based on the type of educational services and instructional program needed, rather than on the handicapping condition. However, this method of classification proposed in 1987 has not received legislative approval for statewide implementation.

When a student is diagnosed as needing special services and subsequently classified by a child study team, an individualized education plan (IEP) is written, spelling out the

TABLE 3
The Landscape of New Jersey Special Education

State-Funded Long-Term Special Education Placements

Long-Term Individual In-Home Instruction	Out-of-District Self-Contained Classes		Own-District Self-Contained Classes	Resource Centers: Out-of Class 21-50% of School Day	Resource Centers: Out-of Class 21% of Day	Resource Centers: In-Class All Day	Non-State Funded Classified Pupils in Regular Classrooms	Total	Non-State-Funded Related Services: Services to Classified Pupils	
1980	Priv. Schools	9,559							Counselling	**18,551**
Funded	Sp. Svs. Dist.	3,796					Number		Occup. Therapy	**10,271**
Within	Reg. Day Sch.	1,102		**25,319**	**22,563**	**8,415**	Not		Phys. Therapy	**5,700**
Hours of	Other Dist.	5,748					Recorded		Spch./Lang.	**37,985**
Home	State Facil.	2,620							Other	**3,265**
Instruction		22,825	53,183		56,809			132,817	Total	**75,772**
Below										

More Restrictive ← **Environment** → **Less Restrictive**

State-Funded Episodic Special Education Services

Supplemental Instruction	Total pupils during all of 1992-93	10,942
Speech Instruction	Total pupils during all of 1992-93	79,704
Home Instruction	640,691.7 hours during all of 1992-93	

State-Funded Special Education Services to Non-Public Pupils

Supplemental Instruction	**3,006**	
Speech Instruction	**8,782**	**12,224**

Note: *Numbers will not always add up to indicated totals because of different reporting dates and different sources.*

Sources: *Application for State School Aid (ASSA), New Jersey Department of Education, October 15, 1993. Data shown in regular type.*
Special Education Plan, New Jersey Department of Education, December 1, 1993. Data shown in bold type.

specifics of the education program and designating an appropriate placement for the child. The "Landscape of New Jersey Special Education" (Table 3) attempts to provide a comprehensive picture of the various environments within which special education services are delivered. This table has been drawn from two different sources with different reporting dates, therefore, the numbers do not always add to the totals shown in the table. The range of placements represents a continuum from a very restrictive setting, such as individualized home instruction or out-of-district placement, to a less restrictive setting, such as a regular classroom. The basis for state aid to local school districts is the student placement. It should be noted that classified students placed in a regular classroom, regardless of the level of non-educational services required, do not receive state aid. For example, an orthopedically handicapped child placed in a regular classroom with the support of a classroom aide, and receiving nursing services, occupational therapy and physical therapy, will not receive state aid because no special **educational** services are required. This pupil is not even counted in special education enrollment totals. The lack of any state aid for regular classroom placement of special education students is a major flaw in the special education aid formula and contributes to charges that New Jersey has one of the most restrictive environments for students with disabilities. (See **To Assure the Free Appropriate Public Education of All Children with Disabilities**, Fifteenth Annual Report to Congress on the Implementation of the Individuals with Disabilities Education Act, U.S. Department of Education, 1993.)

Table 4 shows changes among the major forms of special education placements over the past 17 years. In the absence of resource rooms in 1977, local district classes included 85% of all state-funded long-term special education placements, and private school placements provided the remaining 15%. Resource rooms were designed to provide individual or small group instruction by a special education teacher in a setting outside the regular classroom for two hours or less per day. With their authorization in 1979, resource rooms gained about one-third of all placements, self-contained local district classes dropped to a little over half of the total, and private school placements fell to less than 10%. These proportions held with minor variations for the next dozen years.

Beginning in 1992, however, there has been a shift away from local self-contained classes, which dropped from 56.2% of the total in 1991 to 47.5% in 1993, and toward resource centers, which rose from 35.9% in 1991 to 44.9% in 1993. This is a development which probably is too recent to be reflected in most national surveys, and it appears to be a change that is still underway. The reason for the change is not difficult to find. In April 1992, the New Jersey State Board of Education adopted major changes to the New Jersey Administrative Code section 6.28. Effective for the 1992-93 school year, a local district had the option of establishing resource "centers" to replace resource "rooms." By the 1993-94 school year all districts were required to make the change. The resource center concept is similar to a resource room, but the number of hours and sites are flexible. The administrative code amendment changed the name and the delivery of services as well. A student could now be placed in a resource center for support services for up to four hours per day, increased from two hours, or placed in a regular classroom with support of a regular education teacher for the whole day. The effect of this code change was dramatic in some districts. Interviews with the directors of special education have confirmed that the new resource center concept afforded increased flexibility in student placement and was now used with increasing regularity, despite state aid funding being frozen.

TABLE 4
State-Funded Long-Term Special Education Program Placements, 1977-1993

	Enroll. Report. Date	District Spec. Educ. Classes	Private School Placements	Resource Rooms/Centers	Total
Chapter 212	9/77	31,860.5 (85.3%)	5,471.0 (14.7%)	—	37,331.5
	9/78	32,757.5 (85.1%)	5,743.0 (14.9%)	—	38,500.5
	9/79	34,518.0 (55.6%)	5,962.0 (9.6%)	21,639.0 (34.8%)	62,119.0
	9/80	36,652.0 (53.9%)	6,358.5 (9.4%)	24,992.0 (36.8%)	68,002.5
	9/81	38,839.0 (53.1%)	6,272.5 (8.6%)	28,045.0 (38.3%)	73,156.5
	9/82	40,722.0 (52.2%)	6,195.5 (7.9%)	31,111.0 (39.9%)	78,028.5
	9/83	45,103.5 (52.8%)	6,401.5 (7.5%)	33,898.5 (39.7%)	85,403.5
	9/84	47,087.5 (53.1%)	6,612.5 (7.5%)	34,959.5 (39.4%)	88,659.5
	9/85	50,793.5 (55.4%)	6,993.0 (7.6%)	33,952.0 (37.0%)	91,738.5
	9/86	53,221.5 (55.5%)	7,250.5 (7.6%)	35,430.0 (36.9%)	95,902.0
	9/87	54,924.0 (55.4%)	7,571.0 (7.6%)	36,622.5 (36.9%)	99,117.5
	9/88	56,351.5 (55.7%)	7,612.0 (7.5%)	37,145.0 (36.7%)	101,108.5
	9/89	58,111.0 (56.3%)	8,116.0 (7.9%)	36,948.0 (35.8%)	103,175.0
QEA	10/90	61,466.0 (56.4%)	8,788.5 (8.1%)	38,757.0 (35.6%)	109,011.5
	10/91	63,501.5 (56.2%)	8,955.5 (7.9%)	40,533.0 (35.9%)	112,990.0
PSRA	10/92	62,761.5 (53.0%)	9,126.5 (7.7%)	46,609.0 (39.3%)	118,497.0
	10/93	60,033.5 (47.5%)	9,559.0 (7.6%)	56,809.5 (44.9%)	126,402.0

Notes: *1. Special education enrollment in this table does not include pupils in county special services districts or state institutions.*

2. Special education classes include pupils in own-district classes, other-district classes, and regional day schools.

Sources: *New Jersey Department of Education: Categorical aid worksheets. Applications for State School Aid. Adapted from Table 9,* ***Linkages in the Delivery and Financing of Special Education Services in New Jersey****.*

TABLE 5

Average Statutory and Effective Additional Cost Factors for Special Education Aid: 1976-77 to 1992-93

State Aid Year	Spec.Ed. Classes		Private Schools		Resource Rooms/Ctrs.	
	Stat.	Eff.	Stat.	Eff.	Stat.	Eff.
1976-77	1.113	.855	2.113	N.A.	—	—
1977-78	1.113	N.A.	2.113	N.A.	—	—
1978-79	1.297	.898	2.297	2.230	—	—
1979-80	.835	.624	1.675	1.826	.590	.590
1980-81	.835	.680	1.675	1.835	.590	.590
1981-82	.835	.622	1.675	1.836	.590	.590
1982-83	.842	.602	1.682	1.873	.600	.600
1983-84	.827	.571	1.667	1.818	.600	.600
1984-85	.692	.492	1.532	1.716	.600	.600
1985-86	.720	.492	1.560	1.752	.600	.600
1986-87	.759	.501	1.599	1.767	.600	.600
1987-88	.795	.471	1.635	1.766	.600	.600
1988-89	.708	.404	1.548	1.648	.600	.600
1989-90	.759	.356	1.599	1.634	.600	.600
1990-91	.794	.339	1.634	1.564	.600	.600
1991-92	1.125	.484	—	—	.450	.450
1992-93	1.125	.494	—	—	.450	.450

Notes: *1. The average* ***statutory*** *additional cost factor is the* ***unweighted*** *mean average of the cost factors in Table 2.*

2. The average effective additional cost factor is the mean average of the same factors from Table 2 when they are ***weighted*** *by pupil enrollments.*

3. Statutory and ***effective*** *cost factors shown for special education classes in 1991-92 and 1992-93 include private school placements.*

Source: *New Jersey Department of Education: Special education worksheets. Adapted from Table 8,* ***Linkages in the Delivery and Financing of Special Education Services in New Jersey.***

TABLE 6

Use of Own-District Self-Contained Classes vs. Use of Resource Rooms/Centers, 1990 and 1993 School Districts Grouped by District Factor Grouping

School District Factor Group	Percentage of Special Education Pupils in Self-Contained Classes		Percentage of Special Education Pupils in Resource Rooms		Percentage of Special Education Pupils in Resource Centers	
	1990 %	1993 %	1990 %	1993 %	1990 %	1993 %
A - Lowest DFG	62.7	58.0	21.3	23.7		
B	51.9	48.6	31.9	36.8		
CD	48.6	42.2	35.7	43.1		
DE	40.9	35.5	42.9	50.0		
FG	44.3	33.4	37.7	52.8		
GH	37.2	29.5	45.8	56.4		
I	32.6	22.2	49.8	64.3		
J - Highest DFG	20.5	6.4	57.9	78.0		
State	48.0	40.1	34.0	42.8		

Notes: *1. District Factor Groups prepared by New Jersey Department of Education are based on socio-economic variables obtained from 1990 census data.*

2. Enrollments in self-contained classes include students in own-district classes plus those sent to other districts.

Source: *Applications for State School Aid (ASSA). Adapted from Table 11,* ***Linkages in the Delivery and Financing of Special Education Services in New Jersey.***

Additional Cost Factors

Little evidence was found that classifications and placements have been determined on the basis of the amount of state aid generated. In fact, some of the evidence seems to be in the other direction. From 1983-84 through 1990-91, the additional cost factor for resource rooms was higher than the average effective cost factor for special education classes (Table 5), indicating that there was a financial incentive to use resource rooms. The average effective additional cost factor is the mean average of the factors from Table 2, weighted by pupil enrollments. During that period, the use of separate special education classes gained slightly in popularity, while resource rooms were used less frequently. Comparisons between the statutory additional cost factors provided by law, and the effective additional cost factors, which recognize the number of students placed in each special education classification, fails to substantiate the claim that students have been given placement on the basis of state aid available to the school district. (For a more detailed discussion of effective versus statutory cost factors, see **Linkages in the Delivery and Financing of Special Education Services in New Jersey**, as referenced on page one.) After QEA was enacted, special education classes generated considerably more state aid than previously, while resource rooms/centers produced less. But during the post-QEA period there has been a significant shift toward the use of resource rooms/centers. (Note state percentages on Table 6.) The numbers of students classified as Perceptually Impaired (PI) has increased significantly over the last few years. This student population is one of the most likely classifications to be placed in resource centers. Arguments that the increased resource center placement is due primarily to the higher cost factor for such placements over a PI self-contained classroom are unfounded. The additional cost factor for resource rooms had been considerably higher than a PI classroom placement throughout the

TABLE 7
State Totals for School District Special Education Appropriations, 1993-94

Direct Expenditure Appropriations:		
Educable mentally retarded	$ 13,542,000	
Trainable mentally retarded	9,248,000	
Orthopedically handicapped	2,139,000	
Neurologically impaired	71,407,000	
Perceputally impaired	114,437,000	
Visually handicapped	846,000	
Auditorially handicapped	9,938,000	
Communication handicapped	12,997,000	
Emotionally disturbed	41,994,000	
Socially maladjusted	885,000	
Chronically ill	1,041,000	
Multiply handicapped	16,209,000	
Autistic	1,568,000	
Pre-school handicapped - PT	13,774,000	
Pre-school handicapped - FT	9,831,000	
Sub-Total: Special Education Classes		$319,855,000
Resource rooms/centers	177,350,000	
Supplementary instruction	14,927,000	
Speech instruction	58,579,000	
Home instruction	13,161,000	
Extraordinary services	14,836,000	
Sub-Total: Direct Expenditure Appropriations		598,708,000
Tuition Appropriations:		
To other Local Education Agencies (LEAs)	(84,086,000)*	
To County Vocational Districts	10,654,000**	
To County Special Districts and Regional Day Schools	46,891,000	
To Private Schools in State	228,916,000	
To Private Schools out of State	6,290,000	
To State Facilities	54,573,000	
Sub-Total: Tuition Appropriations		347,323,000
Estimated Total Local Special Education Appropriations		$946,031,000***
State Aid for Special Education		$582,500,000

**Tuition to other LEAs omitted from total to avoid double counting in statewide total.*
***County vocational schools and special services districts are omitted from the direct expenditure appropriations.*
****Does not include such categories as plant operations, maintenance, and student activities.*

Source: *Computer tape from New Jersey Department of Education. Data subject to correction. Adapted from Table 17.* ***Linkages in the Delivery and Financing of Special Education Services in New Jersey.***

1980s. No significant jump in resource room placements occurred until the concept was changed to resource center by administrative code in 1992. Other factors, as discussed below, appear far more important in determining most student placements than possible incentives of the state aid system.

Cost Versus State Aid

A distinction should be made between the **cost** of a special education placement and the **state aid** which a district receives as reimbursement. Special education personnel in the school districts often are acutely aware of the **cost** of various placements, especially when a change in placement is being considered. Costs generally are immediate, obvious, and linked to individual cases, and funds must be found and committed. State aid, on the other hand, is a reimbursement at some time in the future, and it is rarely identifiable as the result of a decision regarding a particular student. It is not surprising, therefore, that local decision-makers pay attention to costs, but often seem oblivious to state aid considerations.

In one potential placement, however, there is another side to the story. Interviews have indicated that the costs involved in moving a child from an existing placement into a regular classroom with related services can be considerable, especially if no state aid is provided. The aid can make a difference in when, how, and whether the change is made. While the existing gradations in state aid between different kinds of placement may be too small to have an impact on decisions, the difference between **some** state aid and **no** state aid may be significant.

There is no question that the movement from separate special education classes to resource centers in the last two years has taken place more rapidly and to a greater extent in the wealthier school districts of the state (Table 6). Since state aid covers only a portion of the costs involved, the local financial resources of the school districts become a factor to consider. Some districts can readily pick up additional costs while others cannot.

Presently, only a limited amount of cost data is available. Special education appropriations for 1993-94 are shown in Table 7. Whether the estimated special education expenditures shown represent the true cost of these programs is open to question. Major categories of expenditures such as plant operations, maintenance, and student activities are not included. Other expenditures applicable to any student in a district only show up in regular budget categories. In addition to the direct expenditures incurred by local school districts, there are costs of tuition paid to special education providers outside of the local district. When **all** expenditures are included, it is reasonable to assume that the cost of special education in New Jersey is over one billion dollars. If a state aid system is to be designed which equalizes the burden of special education among districts having different local resources and, at the same time, equalizes the cost to the district of each placement option, it will be necessary to gather much more accurate cost data than are now available.

Other Factors Affecting Special Education Placement

The interviews of school officials and the statistical analysis of the research team identified numerous other factors that appear to have an impact on special education pupil placement decisions. One that has already been mentioned is the expanding awareness nationally of the needs and rights of persons with disabilities. This is reflected in mounting pressure from advocacy and professional groups and parents. It also is manifested in an active role by the federal government in pushing for placement of every special education student in the least restrictive environment.

On occasion, this pressure results in specific changes in law or administrative regulation. The 1992 change in the New Jersey Administrative Code section 6.28, liberalizing the definition of resource rooms and establishing the resource center concept, is an outstanding illustration. This change has stimulated a substantial revision in pupil placements which, on a statewide statistical basis, had shown little movement for almost two decades.

Parental involvement also plays a significant role in pupil placements. Where parents are concerned, aware of their rights and, most importantly, financially capable of legal action, administrators listen and act. The fear of legal action has been reported to be the controlling factor in some special education placements. This may partially explain the lack of movement toward the use of less restrictive placements in the state's urban areas where parents, while concerned, may not be as aware of their rights or as financially capable of legal action as their counterparts in the wealthier communities.

The small size of many New Jersey school districts is a factor in some placements. A small district obviously may not have enough children with a particular disability to run its own special education classes, in which case it must seek out-of-district placements, either in another district, a county special services district, or a private school, if a separate class is the appropriate placement for the child. All of these settings would be considered more restrictive than placement within the district of residence.

The disproportionate placement of minority students in self-contained special education classes has been of long-standing concern. As early as 1980, a study by DOE pointed out inequities in classification and placement. There are considerable variations between the placements of racial/ethnic groups, with gender also contributing to the disparities. On a statewide basis, males are twice as likely to be classified as needing special education services. Black males are twice as likely as white males of receiving those services in self-contained classrooms. Table 8 illustrates both the significant racial/ethnic and gender disparities in special education placement and the variations in approaches to special education services between individual districts. These same variations are just as likely to exist in smaller districts but, because the numbers are smaller, statistical significance is difficult to demonstrate.

Facilities can be a controlling factor. Many special education administrators complain that they are restricted by the facilities

TABLE 8

Percentage of Students in Self-Contained Special Education Classes at High School and Elementary Level, By Gender and Race/Ethnicity, 1993, for Selected Urban School Districts

		White		Black		Hispanic	
		Male	Female	Male	Female	Male	Female
Bayonne	H.S.	12.3%	5.3%	25.9%	18.3%	19.5%	10.1%
	Elem.	9.3	4.3	18.5	12.5	13.1	8.4
Camden	H.S.	*	*	15.4	5.7	23.9	7.1
	Elem.	15.8	9.2	12.4	6.2	15.1	8.0
Elizabeth	H.S.	14.1	5.5	22.4	11.4	13.5	5.4
	Elem.	10.0	5.4	15.6	7.2	9.2	4.9
Jersey City	H.S.	7.9	5.4	18.1	5.9	9.2	4.8
	Elem.	9.5	5.2	11.0	4.6	7.1	3.6
Lakewood	H.S.	7.4	3.5	21.5	7.7	21.3	13.2
	Elem.	10.0	6.4	17.3	9.1	10.4	5.0
Long Branch	H.S.	13.4	5.5	26.6	14.5	22.0	11.1
	Elem.	8.5	5.7	20.9	9.3	19.1	6.8
Newark	H.S.	6.2	3.5	12.6	6.1	11.4	5.6
	Elem.	3.7	1.3	9.2	3.7	7.2	3.3
Passaic	H.S.	*	*	19.1	7.1	8.1	3.8
	Elem.	7.3	0.8	6.5	2.3	4.4	2.5
Paterson	H.S.	4.4	1.2	10.7	5.7	7.0	2.8
	Elem.	3.4	3.3	6.7	2.8	6.0	2.5
Perth Amboy	H.S.	11.1	0	21.7	6.0	17.0	5.3
	Elem.	12.0	5.0	17.7	6.1	9.8	4.0
Trenton	H.S.	*	*	16.7	5.7	4.2	1.3
	Elem.	11.3	6.9	10.4	5.0	12.7	4.0
Union City	H.S.	*	*	*	*	5.1	1.8
	Elem.	10.0	3.1	*	*	5.4	2.4

**Less than 50 in denominator.*

Source: *Calculations based on current school enrollment printout, New Jersey Department of Education. Adapted from Table 3,* ***Linkages in the Delivery and Financing of Special Education Services in New Jersey.***

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available. While a change in placement may work both ways—sometimes demanding more space, at other times freeing up space—there is always the potential for a mismatch between space available and space needs. Undoubtedly, this is a factor in some school districts.

Finally, there is the attitude of the school district staff. The personal and professional orientation of the special education staff can have a profound effect on the types of placements most frequently used within a district. Where school district administrators and staff are committed to finding the least restrictive environment for special education pupils, substantial change can and does take place. Where the special education personnel have gained their experience in more traditional settings, emphasizing separate classes, the movement toward less restrictive environments may lag. In addition, the attitude of regular classroom teachers is extremely important. In most cases, such teachers have had little training or experience in working with children with disabilities. They may resent and resist the additional burden that they anticipate when proposals are made to "include" some special education students, and they may fear the disruption due to disciplinary and/or medical problems. In interviews, administrators also reported that teachers often balk at giving different homework assignments and/or using a different basis to assign grades to special education students.

Major Deficiencies of the Special Education State Aid System

There are gaps in the formula which result in no state aid being provided for placements which may represent the least restrictive environment. As pointed out above, children placed in regular classrooms with non-educational services generate no state aid.

On a statewide basis, the system does not cover all of the reported costs of special education, but no one knows exactly how much it does cover. This fact has been exacerbated in the last two years by the freeze on state aid. State aid for special education is still based on the enrollment counts of October 1991 and the base budget for 1992-93, while both enrollments and costs have risen. The fact that local districts often must provide special education to some extent from their own resources places a severe burden on the poorest school districts of the state.

While the state aid system appears sophisticated, its weaknesses become evident under scrutiny. The system is very complex and requires considerable staff time to gather and process necessary data. School districts are reimbursed on the basis of prior-year enrollment and statewide average costs which are estimates at best. Some district costs are above the average while others are below. Some districts gain pupils during the year; others lose enrollment. The present additional cost factors are based on calculations from 1988, rendering them of questionable value for current analysis. The present cost factors do not reflect the administrative code changes from resource rooms to resource centers. Finally, residential placement costs are not factored into the present formula which places a severe financial burden on some districts.

Data Collection Limitations

The necessity for adequate and accurate information in evaluating any state aid funding formula cannot be overemphasized. In general, DOE collects information from school districts for several reasons: (1) to calculate state aid, (2) to respond to federal reporting requirements, (3) to fulfill the requirements of New Jersey statute and administrative code, and (4) to evaluate specific projects/grants. Data reporting is not framed around a comprehensive master plan. Reconciling information from various reports is particularly challenging and often impossible. Despite the enormous amount of data contained in the major reports and the over 200 smaller reports submitted by districts annually to DOE, there are significant gaps in the data collection process. This is particularly true when attempting to analyze information about special education. Some information needed for cost analysis, outcomes assessment, enrollment reporting, and staffing analysis is absent. Of particular significance is the lack of data concerning special education students placed in a regular classroom and receiving non-educational services.

The number of students exiting special education before age 14 is not recorded. Thus, no data are available to assess the number of students who have improved to the point of no longer requiring special education services.

Outcomes assessment has received heavy emphasis in the last few years at all levels of government. One of the most widely used "assessment" tools for education is the graduation rate. In New Jersey, calculations of the rates of classified special education students who complete high school is a guessing game. Reporting of the number of special education graduates is sporadic. Some schools are no longer required to report. Some students are reported through the local resident district while others are not. There are no data available on the graduation rate of students placed in self-contained classes versus resource center or regular classes. There also is no breakout by gender or race/ethnicity. In contrast to regular students, no follow-up information such as employment or additional education is available to evaluate the transition made by New Jersey's special education students to adult life. Most special education students are expected to finish high school and be capable of living independent productive lives. Their IEPs are designed for them to reach that goal. Accurate reporting of the number of graduates completing special education programs is the bare minimum needed for any assessment of program effectiveness.

Recommendations

- The state aid system must be revised to promote placement of pupils in the least restrictive environment and provide financial support for all types of special education placement, including the regular classroom.
- The aid system should equalize the ability of school districts to provide special education and equalize the cost burden to districts of the various types of placements.
- Special education state aid funds should be dedicated to special education expenditures.
- A comprehensive study should be made of the real costs of special education.
- A master plan for data collection, including special education information, should be developed and implemented by the Department of Education.
- Undergraduate and graduate curricula for the training of teachers should include instruction on the needs and teaching of special education pupils.
- State-funded programs of in-service training on the teaching of special education pupils should be implemented for all incumbent teachers.

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